

1 AN ACT relating to postsecondary education funding and declaring an emergency.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 164.092 is amended to read as follows:

4 (1) For purposes of this section:

5 (a) "Category I and Category II square feet" means square footage that falls under
6 space categories as defined by the Postsecondary Education Facilities
7 Inventory and Classification Manual published by the United States
8 Department of Education;

9 (b) "Comprehensive university" has the same meaning as in KRS 164.001;

10 (c) "Council" means the Council on Postsecondary Education;

11 (d) "Equilibrium" means a condition in which every institution has an
12 appropriately proportionate level of resources as determined by the
13 performance funding model established in this section given each institution's
14 level of productivity in achieving student success outcomes, course
15 completion outcomes, and other components included in the model;

16 (e) "Formula base amount" means an institution's enacted general fund
17 appropriation amount minus debt service on bonds and appropriations for
18 mandated programs;

19 (f) "Hold-harmless provision" means a provision included in the funding
20 formulas as described in subsection (9) of this section that prevents a
21 reduction of a designated portion of funding for an institution through
22 operation of the funding formula;

23 (g) "Institution" means a college in the Kentucky Community and Technical
24 College System or a public university;

25 (h) "KCTCS" means the Kentucky Community and Technical College System;

26 (i) "KCTCS institution allocable resources" means the formula base amount net
27 of any equity adjustment as described in subsection (7)(b) of this section, any

1 amount protected by a hold-harmless provision, and any applicable increase
2 or decrease in general fund appropriations;

3 (j) "Mandated program" means a research or public service activity that is not
4 integral to the instructional mission of the institution and is identified by the
5 General Assembly in the biennial budget;

6 (k) "Nontraditional age students" means students between the ages of twenty-
7 five (25) and sixty-four (64);

8 (l) "Performance fund" means the postsecondary education performance fund
9 established in subsection (13) of this section;[-]

10 (m)[(+)] "Research universities" means the University of Kentucky and the
11 University of Louisville;

12 (n)[(m)] "Stop-loss provision" means a provision included in the funding
13 formulas as described in subsection (9) of this section to limit reduction of an
14 institution's funding amount to a predetermined percentage, notwithstanding
15 the amounts calculated by operation of the formula; and

16 (o)[(n)] "University allocable resources" means the formula base amount net of
17 any small school adjustment as described in subsection (5)(c) of this section,
18 any amount protected by a hold-harmless provision, and any applicable
19 increase or decrease in general fund appropriations.

20 (2) The General Assembly hereby finds that improving opportunity for the
21 Commonwealth's citizens and building a stronger economy can be achieved by its
22 public college and university system focusing its efforts and resources on the goals
23 of:

24 (a) Increasing the retention and progression of students toward timely credential
25 or degree completion;

26 (b) Increasing the number and types of credentials and degrees earned by all types
27 of students;

- 1 (c) Increasing the number of credentials and degrees that garner higher salaries
2 upon graduation, such as science, technology, engineering, math, and health,
3 and in areas of industry demand;
- 4 (d) Closing achievement gaps by increasing the number of credentials and
5 degrees earned by low-income students, underprepared students, ~~and~~
6 ~~underrepresented minority students,~~ and nontraditional age students; and
- 7 (e) Facilitating credit hour accumulation and transfer of students from KCTCS to
8 four (4) year postsecondary institutions.
- 9 (3) (a) The General Assembly hereby declares these goals can best be accomplished
10 by implementing a comprehensive funding model for the allocation of state
11 general fund appropriations for postsecondary institution operations that
12 aligns the Commonwealth's investments in postsecondary education with the
13 Commonwealth's postsecondary education policy goals and objectives.
- 14 (b) The General Assembly further recognizes that priority for state general fund
15 appropriations for postsecondary institutions should be given to each
16 institution's funding floor over appropriations to the performance fund. For
17 purposes of this section, "funding floor" means an institution's fiscal year
18 2020-2021 general fund appropriation included in 2020 Ky. Acts ch. 92, plus
19 any fiscal year 2020-2021 distribution from the performance fund, and minus
20 fiscal year 2020-2021 debt service on bonds and appropriations for mandated
21 programs.
- 22 (4) This section establishes a comprehensive funding model for the public
23 postsecondary education system to be implemented by the Council on
24 Postsecondary Education. The funding model shall include a public university
25 sector formula and a KCTCS sector formula.
- 26 (5) The funding formula for the public university sector shall:
- 27 (a) Recognize differences in missions and cost structures between research

- 1 universities and comprehensive universities to ensure that neither are
2 advantaged or disadvantaged during the first full year of implementation;
- 3 (b) Distribute one hundred percent (100%) of the university allocable resources
4 for all universities in the sector, based on rational criteria, including student
5 success, course completion, and operational support components, regardless
6 of whether state funding for postsecondary institution operations increases,
7 decreases, or remains stable;
- 8 (c) Include an adjustment to minimize impact on smaller campuses as determined
9 by the council; and
- 10 (d) Be constructed to achieve equilibrium, at which point the funding formula
11 rewards rates of improvement above the sector average rate.
- 12 (6) Funding for the public university sector shall be distributed as follows:
- 13 (a) **Forty percent (40%)**~~[Thirty five percent (35%)]~~ of total university allocable
14 resources shall be distributed based on each university's share of total student
15 success outcomes produced, including but not limited to:
- 16 1. Bachelor's degree production;
- 17 2. ~~[Bachelor's degrees awarded per one hundred (100) undergraduate full-~~
18 ~~time equivalent students;~~
- 19 3. ~~—~~Numbers of students progressing beyond thirty (30), sixty (60), and
20 ninety (90) credit hour thresholds;
- 21 3.~~[4.]~~ Science, technology, engineering, math, and health bachelor's degree
22 production; and
- 23 4.~~[5.]~~ Bachelor's degrees earned by low-income students and underrepresented
24 minority students;
- 25 (b) **Thirty percent (30%)**~~[Thirty five percent (35%)]~~ of total university allocable
26 resources shall be distributed based on each university's share of sector total
27 student credit hours earned, excluding dual credit enrollment, weighted to

- 1 account for cost differences by academic discipline and course level, such as
2 lower and upper division baccalaureate, master's, doctoral research, ~~and~~
3 ~~doctoral professional,~~ **and nontraditional age students**; and
- 4 (c) Thirty percent (30%) of total university allocable resources shall be
5 distributed in support of vital campus operations as follows:
- 6 1. Ten percent (10%) shall be distributed based on each university's share
7 of Category I and Category II square feet, net of research, nonclass
8 laboratory, and open laboratory space, to support maintenance and
9 operation of campus facilities and may include a space utilization factor
10 as determined by the council in collaboration with the working group
11 established in subsection (11) of this section;
- 12 2. Ten percent (10%) shall be distributed based on each university's share
13 of total instruction and student services spending, net of maintenance
14 and operation, to support campus administrative functions; and
- 15 3. Ten percent (10%) shall be distributed based on each university's share
16 of total full-time equivalent student enrollment to support academic
17 support services such as libraries and academic computing.
- 18 (7) The funding formula for the KCTCS sector:
- 19 (a) Shall distribute one hundred percent (100%) of KCTCS institution allocable
20 resources for all KCTCS colleges based on rational criteria, including student
21 success, course completion, and operational support components, regardless
22 of whether state funding for postsecondary institution operations increases,
23 decreases, or remains stable;
- 24 (b) May include an adjustment to account for **community economic**
25 **disadvantage**~~[declining enrollment]~~ in some regions of the Commonwealth as
26 determined by the council; and
- 27 (c) Shall be constructed to achieve equilibrium, at which point the funding

1 formula rewards rates of improvement above the sector average rate.

2 (8) Funding for the KCTCS sector shall be distributed as follows:

3 (a) Thirty-five percent (35%) of total KCTCS institution allocable resources shall
4 be distributed based on each college's share of total student success outcomes
5 produced, including but not limited to:

6 1. Certificate, diploma, and associate degree production, weighted to
7 provide a premium for credentials that are aligned with the economic
8 needs of the state;

9 2. Numbers of students progressing beyond fifteen (15), thirty (30), and
10 forty-five (45) credit hour thresholds;

11 3. ~~{Science, technology, engineering, math, and health credentials~~
12 ~~production;~~

13 4. ~~Production of high wage, high demand, industry credentials as~~
14 ~~determined using occupational outlook data and employment statistics~~
15 ~~wage data provided by the Department of Workforce Development in~~
16 ~~the Education and Labor Cabinet;~~

17 5. ~~Production of industry credentials designated as targeted industries by~~
18 ~~the Education and Labor Cabinet;~~

19 6. ~~{~~Credentials earned by low-income students, underprepared students,
20 ~~and }underrepresented minority students, and nontraditional age~~
21 students; and

22 ~~4.7.} Transfers to four (4) year institutions;~~

23 (b) Thirty-five percent (35%) of total KCTCS institution allocable resources shall
24 be distributed based on each college's share of total student credit hours
25 earned, weighted to account for cost differences by academic discipline; and

26 (c) Thirty percent (30%) of total KCTCS institution allocable resources shall be
27 distributed in support of vital campus operations as follows:

- 1 1. Ten percent (10%) shall be distributed based on each college's share of
2 Category I and Category II square feet, net of research, nonclass
3 laboratory, and open laboratory space, to support maintenance and
4 operation of campus facilities and may include a space utilization factor
5 as determined by the council in collaboration with the postsecondary
6 education working group established in subsection (11) of this section;
- 7 2. Ten percent (10%) shall be distributed based on each college's share of
8 total instruction and student services spending, net of maintenance and
9 operation, to support campus administrative functions; and
- 10 3. Ten percent (10%) shall be distributed based on each college's share of
11 total full-time equivalent student enrollment to support academic
12 support services such as libraries and academic computing.

13 (9) (a) The funding formula for both sectors shall include:

- 14 1. A hold-harmless provision for fiscal year 2018-2019 preventing a
15 reduction in an institution's funding amount based solely on the formula
16 calculation, and allowing a hold-harmless amount determined by the
17 formula in fiscal year 2018-2019 to be deducted from an institution's
18 formula base amount in whole or in part in fiscal years 2019-2020 and
19 2020-2021, as determined by the council;
- 20 2. A hold-harmless provision for fiscal year 2021-2022, and every fiscal
21 year thereafter, preventing a reduction in an institution's funding amount
22 based solely on the formula calculation;
- 23 3. A stop-loss provision for fiscal year 2019-2020 limiting the reduction in
24 funding to any institution to one percent (1%) of that institution's
25 formula base amount;
- 26 4. A stop-loss provision for fiscal year 2020-2021 limiting the reduction in
27 funding to any institution to two percent (2%) of that institution's

1 formula base amount; and

2 5. A stop-loss provision for fiscal year 2021-2022, and every fiscal year
3 thereafter, limiting the reduction in funding to any institution to zero
4 percent (0%) of that institution's formula base amount.

5 (b) Paragraph (a) of this subsection shall not be construed to limit the level of a
6 budget reduction that may be enacted by the General Assembly or
7 implemented by the Governor.

8 (10) (a) By May 1 each year, the council shall certify to the Office of the State Budget
9 Director the amount to be distributed to each of the public universities and
10 KCTCS as determined by the comprehensive funding model created in this
11 section, not to exceed the available balance in the performance fund.

12 (b) The Office of the State Budget Director shall distribute the appropriations in
13 the performance fund for that fiscal year to the institutions in the amounts the
14 council has certified. The adjusted appropriations to each institution shall be
15 allotted as provided in KRS 48.600, 48.605, 48.610, 48.620, and 48.630.

16 (c) 1. The certified amounts distributed from the performance fund to the
17 institutions are nonrecurring funds that shall not be included in the
18 institutions' base budget amounts submitted in their biennial budget
19 requests.

20 2. The certified amounts distributed from the performance fund in the
21 previous fiscal year shall be included in the performance fund's base
22 budget amount submitted by the council in the biennial budget request.

23 (d) For fiscal year 2017-2018, the Office of the State Budget Director shall
24 distribute to the public postsecondary education institutions, except for
25 Kentucky State University, those funds appropriated to the performance fund
26 by the General Assembly in 2016 Ky. Acts ch. 149, Part I, K., 12., in
27 accordance with the comprehensive funding model created in this section.

- 1 (11) (a) The Council on Postsecondary Education is hereby directed to establish a
2 postsecondary education working group composed of the following:
- 3 1. The president of the council;
 - 4 2. The president or designee of each public postsecondary institution,
5 including the president of KCTCS;
 - 6 3. The Governor or designee;
 - 7 4. The Speaker of the House or designee; and
 - 8 5. The President of the Senate or designee.
- 9 (b) Beginning in fiscal year 2020-2021 and every three (3) fiscal years thereafter,
10 the postsecondary education working group shall convene to determine if the
11 comprehensive funding model is functioning as expected, identify any
12 unintended consequences of the model, and recommend any adjustments to
13 the model. The council may call the working group to convene prior to the
14 start of the required fiscal year to allow sufficient time for the group to
15 complete its work.
- 16 (c) The results of the review and recommendations of the working group shall be
17 reported by the council to the Governor, the Interim Joint Committee on
18 Appropriations and Revenue, and the Interim Joint Committee on Education
19 by December 1 of each fiscal year the working group convenes.
- 20 (12) The council shall promulgate administrative regulations under KRS Chapter 13A to
21 implement the provisions of this section.
- 22 (13) (a) The postsecondary education performance fund is hereby established as an
23 appropriation unit to support improvement in the operations of the public
24 postsecondary institutions and achievement of the Commonwealth's education
25 policy goals and workforce development priorities. General fund moneys may
26 be appropriated by the General Assembly to this fund for distribution to the
27 public postsecondary institutions in amounts determined through the

1 comprehensive funding model created in this section.

2 (b) Any balance in the performance fund at the close of any fiscal year shall not
3 lapse but shall be carried forward to the next fiscal year and be continuously
4 appropriated for the purposes specified in this section. A general statement
5 that all continuing appropriations are repealed, discontinued, or suspended
6 shall not operate to repeal, discontinue, or suspend this fund or to repeal this
7 action.

8 ➔Section 2. The Council on Postsecondary Education shall promulgate and file
9 an emergency administrative regulation, or amend a current administrative regulation, in
10 accordance with KRS Chapter 13A by April 1, 2024, or within 30 days of the effective
11 date of this Act, whichever is later, to implement Section 1 of this Act.

12 ➔Section 3. Whereas the General Assembly recognizes the need for the citizens
13 of Kentucky to be lifelong learners and realizes the necessity of postsecondary
14 institutions in assisting with that endeavor, an emergency is declared to exist and this Act
15 takes effect upon its passage and approval by the Governor or upon its otherwise
16 becoming a law.